# LEGISLATIVE SERVICES AGENCY
## OFFICE OF FISCAL AND MANAGEMENT ANALYSIS

301 State House
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## FISCAL IMPACT STATEMENT

**LS 7179** **NOTE PREPARED:** Jan 30, 2003
**BILL NUMBER:** HB 1703 **BILL AMENDED:**

**SUBJECT:** Medicaid Preferred Drug List.

**FIRST AUTHOR:** Rep. Brown C **BILL STATUS:** As Introduced
**FIRST SPONSOR:**

**FUNDS AFFECTED:** X **GENERAL** **IMPACT:** State
**DEDICATED**
X **FEDERAL**

**Summary of Legislation:** This bill allows the Office of Medicaid Policy and Planning (OMPP) to add a drug that has been approved by the federal Food and Drug Administration to the preferred drug list without prior approval from the Drug Utilization Review Board. The bill permits the Board to add a drug that has been approved by the federal Food and Drug Administration to the preferred drug list. (Current law allows: (1) the Office to add only new single source drugs to the preferred drug list without prior approval of the Board; and (2) the Board to add only new single source drugs to the preferred drug list.) It also makes cross references.

**Effective Date:** July 1, 2003.

**Explanation of State Expenditures:** This bill addresses the issue of prior authorization for mental health drugs. Current law requires that all drugs prescribed for the treatment of mental illness must be included on the Medicaid preferred drug list (PDL); if a drug is included on this list, it is not subject to prior authorization. Current law allows some circumstances under which the Office of Medicaid Policy and Planning may require prior authorization for a drug on the PDL. One of those special circumstances is to permit reimbursement for a medically necessary brand name drug that is subject to generic substitution under I.C.16-42-22-10. Currently, when a pharmacist fills a prescription written for a recipient of Medicaid, CHIP, or Medicare, if a generic equivalent is available and is cheaper, the generic must be substituted and the recipient told of the substitution. The pharmacist may only fill the prescription with the brand name drug if the provider has hand-written the words "Brand Medically Necessary" on the prescription. A Brand Medically Necessary prescription requires prior authorization and the provider must explain why the branded drug is necessary. This bill references the code specifying that mental health drugs are not subject to prior authorization. OMPP reports that mental health drugs are in practice already excluded from prior authorization under this provision; no fiscal impact appears to be associated with this change.

The bill also allows OMPP to add any drug that has been approved by the federal Food and Drug

Administration (FDA) to the PDL without the approval of the Drug Utilization Review Board, which is charged with the research, development, and approval of the PDL. The bill also allows the Board to add any FDA-approved drug to the PDL. Current statute allows the addition of a new single source drug to the list in either of these two circumstances. This provision allows OMPP to bypass the Board approval and allows the Board to bypass the recommendations of the Therapeutics Committee. (The Therapeutics Committee was established to provide the Board with additional clinical expertise for the research and development of the PDL.) This provision appears to have no significant fiscal impact since the language is permissive.

Expenditures in the Medicaid program are shared, with about 62% of program expenditures reimbursed by the federal government and 38% provided by the state.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** Family and Social Services Administration, Office of Medicaid Policy and Planning.

**Local Agencies Affected:**

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